

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Competitive Product Prices  
Global Plus 1D (CP2016-193)  
Negotiated Service Agreements

Docket No. CP2017-257

PUBLIC REPRESENTATIVE COMMENTS ON REQUEST OF  
THE UNITED STATES POSTAL SERVICE TO ADD FUNCTIONALLY EQUIVALENT  
GLOBAL PLUS 1D NEGOTIATED SERVICE AGREEMENTS

(August 15, 2017)

## INTRODUCTION

The Public Representative hereby provides comments pursuant to the Commission's notice initiating these dockets.<sup>1</sup> In this notice, the Commission established the above referenced docket to consider matters from interested persons, including the undersigned Public Representative, on the Postal Service's intent to have a contract included within the Global Plus 1D product on the grounds of functional equivalence to a previously approved baseline agreement.<sup>2</sup>

Previously the Commission authorized the addition of the Global Plus 1D product to the competitive product list and determined that the Global Plus 1D contract filed in Docket No. CP2016-193 should be included within the product.<sup>3</sup> The Commission determined that individual Global Plus 1D contracts may be included in the Global Plus 1D product if they are functionally equivalent to the Global Plus 1D baseline agreement and meet the requirements of 39 U.S.C. § 3633. Notice at 2.

Customers for Global Plus 1D contracts are Postal Qualified Wholesalers (PQWs) and other large businesses that offer mailing services to end users for shipping articles via International Priority Airmail (IPA), International Surface Air Lift (ISAL),

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<sup>1</sup> Notice Initiating Dockets for Recent Postal Service Negotiated Service Agreement Filings, August 7, 2017.

<sup>2</sup> Notice of the United States Postal Service of Filing a Functionally Equivalent Global Plus 1D Negotiated Service Agreement and Application for Non-Public Treatment of Materials Filed Under Seal, August 4, 2017 (Notice).

<sup>3</sup> See PRC Order No. 3395, Order Adding Global Plus 1D to the Competitive Product List and Approval of Designation as Baseline Agreement, Docket No. CP2016-193, June 29, 2016.

Priority Mail Express International, Priority Mail International, and/or Commercial ePacket service. *Id.* at 4.

The Global Plus 1D contract described in this docket is scheduled to become effective on August 20, 2017. *Id.* at 3. If the effective date of the agreement is the first of the month, the agreement that is the subject of this docket is set to expire one year after its effective date. If the effective date of the agreement is not the first of the month, the agreement is set to expire on the last day of the month in which the effective date falls in the year subsequent to the effective date. *Id.*

## DISCUSSION

*Functional Equivalence.* In this proceeding, the Postal Service asserts that the “contract under consideration is substantially similar to the Global Plus 1D baseline contracts filed in Docket No. CP2016-193.” Notice at 3. The Postal Service explains that the contracts share similar cost and market characteristics. *Id.*

The Postal Service addresses differences between this contract and the baseline contract. The differences are revisions to several articles and annexes.<sup>4</sup> However, the Postal Service “does not consider these specified differences affect either the fundamental service the Postal Service is offering or the fundamental structure of the contract.” *Id.* at 6. It, therefore, asserts that the instant contracts are functionally equivalent in all pertinent aspects to the contracts that are the subject of Docket No. CP2016-193. *Id.*

The Public Representative agrees that these and other differences do not alter the Global Plus 1D contract. Moreover, a review of the Postal Service’s Requests, Statements of Supporting Justification (Attachment 3), contract agreements, and supporting financial models filed separately under seal reveals that the Global Plus 1D contracts should be considered functionally equivalent to the contract subject to Docket

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<sup>4</sup> See Notices at page 5-6.

No. CP2016-193, which serves as the baseline agreement for comparison under the Global Plus 1D grouping.<sup>5</sup> .

*Product Costs.* Pursuant to 39 U.S.C. § 3633(a), the Postal Service must demonstrate that competitive product rates (1) do not result in market dominant products subsidizing competitive products, (2) ensure that each competitive product covers its attributable costs; and (3) enable competitive products as a whole to cover an appropriate share of the institutional costs of the Postal Service. The Postal Service states that this Global Plus 1D contract “fits within the parameters outlined by the Governors’ Decisions establishing and authorizing the rates for Global Plus 1D agreements.” *Id.* at 5. The financial models accompanying the Postal Service’s Request indicates that the Postal Service covers its cost and this cost coverage is similar to previous contracts deemed functionally equivalent by the Commission in previous cases, which have satisfied 39 U.S.C. § 3633. This contract, therefore, also satisfies 39 U.S.C. § 3633 although the Public Representative is uneasy with it. The Public Representative encourages the Commission to carefully consider the distribution of the mailer profile to ensure compliance.

The Public Representative respectfully submits the foregoing comments for the Commission’s consideration.

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<sup>5</sup> See PRC Order No. 3395, Order Adding Global Plus 1D to the Competitive Product List and Approval of Designation as Baseline Agreement, Docket Nos. CP2016-193, June 29, 2016.